



Ninepoint Global Real Estate Fund

September 2023 Commentary

Summary



Jeff Sayer, CFA
Vice President, Portfolio Manager

- Ninepoint Global Real Estate Fund had a YTD return of -5.58% as of September 30, compared to the MSCI World IMI Core Real Estate Index, which had a YTD return of -4.29%.
- In September, the Fund had a negative monthly return of -6.17%, while the Index generated a total return of -6.16%.
- September saw a decline in stock markets, with S&P 500 TR dropping by -4.8% and NASDAQ Composite by -5.8%, primarily due to a spike in the US 10-year bond yield to 4.69%, leading to P/E multiple compression.
- The Energy sector was the only gainer during the month, while interest rate-sensitive sectors like Real Estate and Utilities underperformed. The fund is currently overweight Industrial REITs, Specialized REITs, and Retail REITs while underweight Real Estate Management & Development, Diversified REITs, and Office REITs.
- Macroeconomic variables, such as GDP growth, unemployment, and inflation, remain relatively stable despite market turbulence.
- Investors are looking to the Q3 earnings season for clues, with consensus estimates suggesting a potential return to positive earnings growth.
- The fund was concentrated in 28 positions. Over the prior fiscal year, 18 out of our 28 holdings have announced a dividend increase, with an average hike of 11.3% (median hike of 3.0%).

Monthly Update

Year-to-date to September 30, the Ninepoint Global Real Estate Fund generated a total return of -5.58% compared to the MSCI World IMI Core Real Estate Index, which generated a total return of -4.29%. For the month, the Fund generated a total return of -6.17% while the Index generated a total return of -6.16%.

Ninepoint Global Real Estate Fund - Compounded Returns¹ As of September 30, 2023 (Series F NPP132) | Inception Date: August 5, 2015

	1M	YTD	3M	6M	1YR	3YR	5YR	Inception
Fund	-6.2%	-5.6%	-6.5%	-9.6%	-3.9%	-1.0%	2.4%	5.1%
MSCI World IMI Core Real Estate NR (CAD)	-6.2%	-4.3%	-3.3%	-4.9%	1.0%	1.0%	0.0%	1.6%

After a mildly disappointing month in August for investors, September lived up to its nasty reputation. The S&P 500 TR dropped -4.8% and the NASDAQ Composite plunged -5.8%, led by

declines in the year-to-date winners. The Energy sector was the sole gainer during the month, while the Information Technology and Consumer Discretionary sectors were notably weak. Like August, the primary culprit during the month of September was a spike in the US 10-year bond yield to 4.69% (reaching a new 15-year high), which is generally correlated to P/E multiple compression. Unsurprisingly, traditionally interest rate-sensitive sectors underperformed, with the Real Estate and Utilities sectors posting very disappointing returns.

In last month's commentary, we discussed some of the drivers behind the sharp move higher in yields around the world, which included the announcement from the Bank of Japan shifting monetary policy away from strict yield curve control, the Fitch Ratings downgrade of US sovereign debt from AAA to AA+ and the tough talk on inflation from Chairman Powell and various other Fed speakers. In September, we could add the fear over the looming threat of a US government shutdown (which thankfully was pushed out by at least forty-five days with a last-minute stopgap bill) and the move in the price of crude oil above \$90 per barrel (which fueled concerns of resurgent inflation). But with growth remaining resilient (the third estimate of US Q2 GDP came in at 2.1%), unemployment staying relatively low and stable (at 3.8% in August) and the most recent PCE (the Fed's key measure of inflation) coming in slightly cooler than expected (at 0.4% MoM versus 0.5% expected and Core PCE at 0.1% MoM versus 0.2% expected), the recent move in rates looks way overdone.

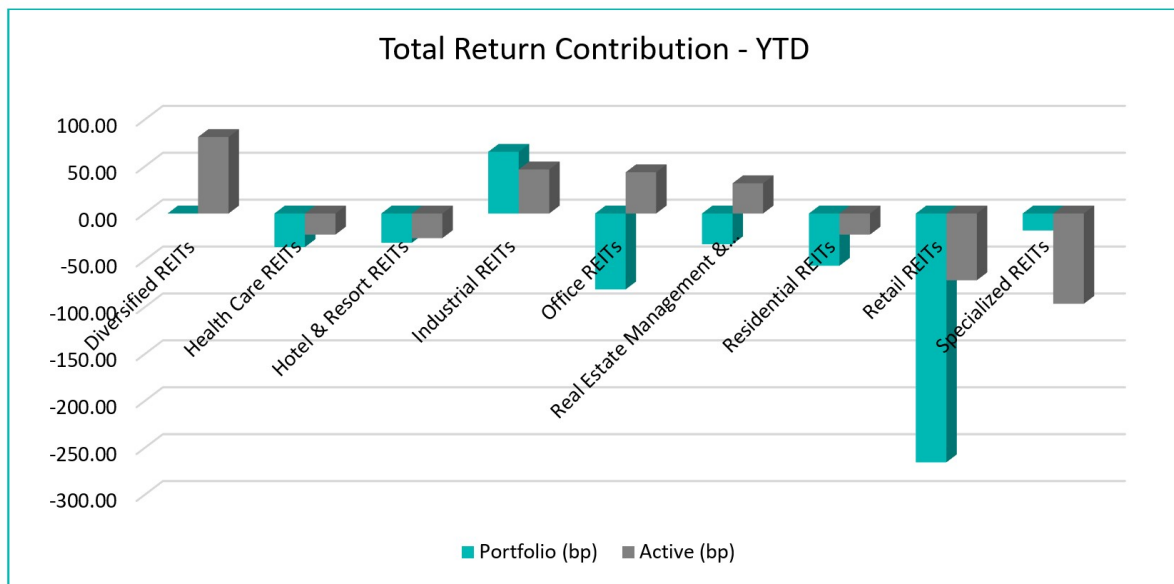
Outside of macroeconomic variables, the outlook for the remainder of the year will likely depend on earnings, and investors will soon turn their attention to the Q3 reporting season. In Q2, the operating and financial results were much better than originally feared, with earnings coming in at -4.1%, compared to initial expectations for a decline of somewhere between -8% and -9%, according to FactSet. Current consensus estimates imply a decline of only -0.1%, marking the fourth straight quarter of negative year-over-year growth but a return to positive earnings growth is within the realm of possibility. In fact, eight out of the eleven S&P 500 sectors are expected to report positive year-over-year earnings growth and ranked in order, including the Communication, Consumer Discretionary, Utilities, Financials, Industrials, Information Technology, Real Estate and Consumer Staples sectors. In this environment, we are searching for companies that have been able to post solid earnings growth but still trade at acceptable valuations. Dividend growth companies and real asset strategies look poised to benefit from any rotation out of the high-multiple, technology winners of 2023 should interest rates stabilize.

In an environment of moderating inflation but slowing economic growth through 2023 and into 2024, the most important drivers of investment performance will likely be valuation, balance sheet strength and the ability to consistently generate cash flow and earnings. As interest rates stabilize, a rotation into high quality, dividend growers would result in better relative performance from our strategies going forward. In keeping with our mandates, we are concentrating our efforts on free cash flow positive, high quality, dividend growth companies and real asset investments given our positive assessment of the risk/reward outlook over the next two to three years.

Top contributors to the year-to-date performance of the Ninepoint Global Real Estate Fund by sub-industry included only Industrial REITs (+66 bps), while top detractors by sub-industry included Retail REITs (-265 bps), Office REITs (-81 bps) and Residential REITs (-56 bps) on an absolute basis.

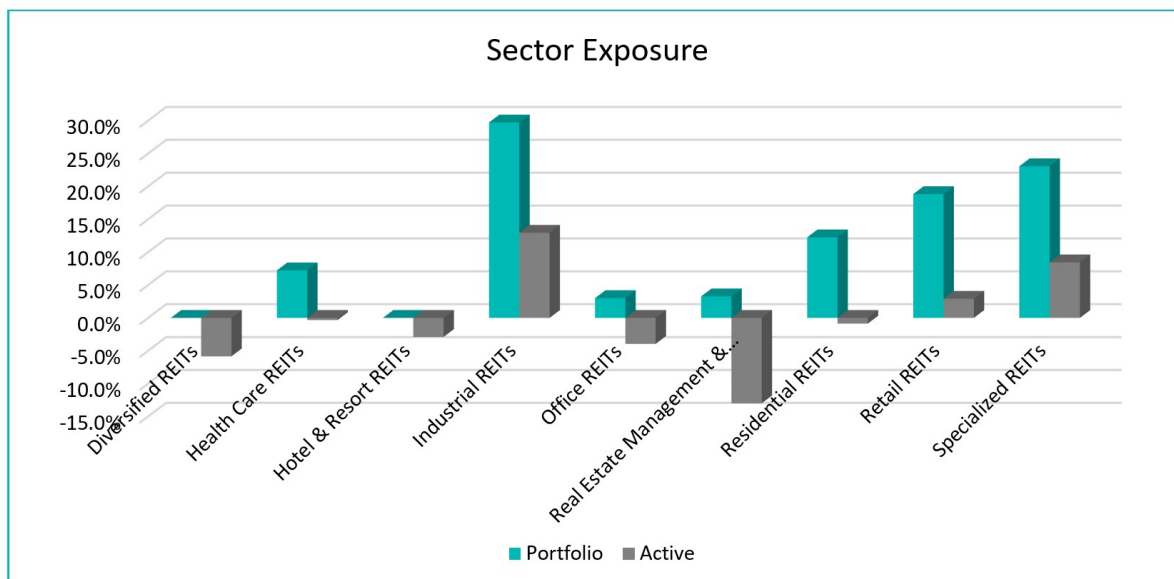
On a relative basis, positive return contributions from the Diversified REITs (+82 bps), Industrial REITs (+47 bps) and Office REITs (+44 bps) sub-industries were offset by negative contributions from the Specialized REITs (-96 bps), Retail REITs (-71 bps) and Hotel & Resort REITs (-26 bps) sub-

industries.



Source: Ninepoint Partners

We are currently overweight Industrial REITs, Specialized REITs, and Retail REITs while underweight Real Estate Management & Development, Diversified REITs, and Office REITs. With the probability of a future interest rate hike below 50% for each of the two remaining FOMC meetings in 2023 according to Refinitiv, interest rate hikes are likely done for the cycle. While we are cognizant of the lagged impact of 525 basis points of monetary tightening since March 2022, we think the rapid spike in the US 10-year bond yields is overdone. We remain focused on high quality, financially strong REITs that have demonstrated the ability to consistently generate revenue and cash flow growth through the cycle.



Source: Ninepoint Partners

The Ninepoint Global Real Estate Fund was concentrated in 28 positions as at September 30, 2023 with the top 10 holdings accounting for approximately 40.8% of the fund. Over the prior fiscal year, 18 out of our 28 holdings have announced a dividend increase, with an average hike of 11.3% (median hike of 3.0%). Using a total real estate approach, we will continue to apply a disciplined

investment process, balancing valuation, growth, and yield in an effort to generate solid risk-adjusted returns.

Jeffrey Sayer, CFA
Ninepoint Partners

Effective February 7, 2017 the Sprott Global REIT & Property Equity Fund's name was changed to Sprott Global Real Estate Fund, subsequently on August 1, 2017 becoming Ninepoint Global Real Estate Fund.

¹All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at September 30, 2023; e) 2015 annual returns are from 08/04/15 to 12/31/15. The index is 100% MSCI World IMI Core Real Estate NR (CAD) and is computed by Ninepoint Partners LP based on publicly available index information.

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